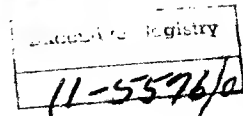


DD/S-59-3381



STAT

25 JUL 1959

cancel
The Honorable Paul J. Kilday
Chairman, Subcommittee on CIA
Committee on Armed Services
U. S. House of Representatives
Washington 25, D.C.

Dear Mr. Kilday:

I refer to your letter of 18 June 1959 and to our discussion on 30 June 1959 with regard to your desire that I initiate a conference with the Comptroller General to consider the possibility of a broader type of audit in the Central Intelligence Agency by the General Accounting Office.

This is an interim report to advise you that I have contacted Mr. Campbell who designated Mr. A. T. Samuelson to discuss this matter with us initially. Colonel L. K. White, my Deputy Director for Support, has had a meeting with Mr. Samuelson, and Mr. Campbell and Mr. Samuelson have accepted my invitation to a briefing next week in order to gain a better understanding of our activities and of the problems inherent in the conduct of a comprehensive audit. After this briefing and any other subsequent discussions which the Comptroller General and I may feel necessary, I shall report further to you on this matter.

Sincerely,

SIGNED

Allen W. Dulles
Director

DOCUMENT NO. 15
NO. OF COPIES 10
DATE 3 MAR 61

CONCUR:

DD/S:LKW:laq

Distribution:

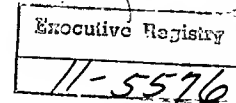
O & I - Add

- at ER*
- 1 - ER *no basis. via Reading*
 - 1 - DCI *w/ basis*
 - 1 - DDCI
 - 1 - Leg Coun
 - 1 - Compt
 - 1 - C/And Sec
 - 1 - DD/S chrono
 - 1 - DD/S subject
 - 1 - DD/S reading

151
L. K. White
Deputy Director
(Support)

24 July 1959
Congress

129018 59-2980

JOHN R. BLANOFORO, COUNSEL
PHILIP W. KELLEHER, COUNSEL
FRANK M. SLATINSHEK, COUNSELHOUSE OF REPRESENTATIVES
COMMITTEE ON ARMED SERVICES
SUITE 313, HOUSE OFFICE BUILDING
WASHINGTON 25, D. C.

June 18, 1959

CARL VINSON, GA., CHAIRMAN

PAUL J. KILOAY, TEX.
CARL T. OURHAM, N.C.
L. MENDEL RIVERS, S.C.
PHILIP J. PHILBIN, MASS.
F. EDWARD HEBERT, LA.
ARTHUR WINSTEAQ, MISS.
MELVIN PRICE, ILL.
O. C. FISHER, TEX.
PORTER HAROY, JR., VA.
CLYDE DOYLE, CALIF.
CHARLES E. BENNETT, FLA.
RICHARD E. LANKFORD, MO.
GEORGE HUOLESTON, JR., ALA.
JAMES A. BYRNE, PA.
TOBY MORRIS, OKLA.
A. PAUL KITCHIN, N.C.
LE ROY H. ANDERSON, MONT.
DANIEL B. BREWSTER, MD.
FRANK KOWALSKI, CONN.
FRED WAMPLER, IND.
SAMUEL S. STRATTON, N.Y.
JEFFERY COHELAN, CALIF.LESLIE C. ARENOS, ILL.
LEON H. GAVIN, PA.
WALTER NORBLAD, OREG.
JAMES E. VAN ZANOT, PA.
WILLIAM H. BATES, MASS.
WILLIAM E. HESS, OHIO
ALVIN E. O'KONSKI, WIS.
WILLIAM G. BRAY, IND.
BOB WILSON, CALIF.
FRANK C. OSMERS, JR., N.J.
KATHARINE ST. GEORGE, N.Y.
CHARLES S. GUBSER, CALIF.
FRANK J. BECKER, N.Y.
CHARLES E. CHAMBERLAIN, MICH.A. FERNOS-ISERN, PUERTO RICO
JOHN A. BURNS, HAWAII

ROBERT W. SMART, CHIEF COUNSEL

Honorable Allen Dulles
Central Intelligence Agency
Washington 25, D. C.

Dear Mr. Dulles:

On March 2, 1959 and subsequent dates staff meetings were held between the CIA Subcommittee and the General Accounting Office in order to develop a clearer understanding of the relationship between the General Accounting Office and the Central Intelligence Agency. Upon completion of these staff meetings the CIA Subcommittee met on May 15 with a senior representative of the General Accounting Office for the purpose of pursuing the information developed in the staff conferences.

The Subcommittee fully appreciates the legal exemption of the Central Intelligence Agency from audit by the General Accounting Office. However, since representatives of GAO have been assigned to the Central Intelligence Agency since you became Director and prior thereto, there is a general impression that the vouchered funds of CIA have been subjected to the normal audit function of the General Accounting Office. It is this particular point that the Subcommittee pursued at its meeting on May 18.

At the conclusion of its meeting, the Subcommittee informally concluded that:

- (1) the degree of audit of vouchered funds

Honorable Allen Dulles
Page Two

performed by GAO representatives in the Central Intelligence Agency was considerably less than had been thought;

(2) for the protection of the Agency and the assurance of the Congress, the audit function should continue;

(3) that more senior representatives of the General Accounting Office should be assigned to this function; and,

(4) that the Chairman of the Subcommittee should seek the formal opinion of the Comptroller General with respect to this matter.

In keeping with the above, I requested the official opinion of the Comptroller General on the relationship of his office with the Central Intelligence Agency. Under date of May 29 I received a letter from the Comptroller General, a self-explanatory copy being hereto attached. You will note that the Comptroller General recommends a broader type of audit than is presently accomplished. At the same time he takes cognizance of appropriate restrictions which are inherent in this endeavor.

The question now arises as to the action that will be taken with reference to this matter. Inasmuch as the General Accounting Office participates in the activities of your Agency by invitation, it is my opinion that it would be both appropriate and desirable for you to initiate a conference with the Comptroller General in an effort to clarify the existing situation. The CIA Subcommittee stands ready to assist in any manner, but I believe you will concur in my thought that the conference which I have suggested represents the most desirable approach to a solution.

As soon as you have had an opportunity to consider this matter I would appreciate an expression of your reaction.

Sincerely yours,



Paul J. Kilday, Chairman
Subcommittee on CIA

Encl.

S



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-133200

MAY 29 1959

Honorable Paul J. Kilday, Chairman
Special Subcommittee, Central Intelligence Agency
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

On May 15, 1959, Mr. A. T. Samuelson, Director of our Civil Accounting and Auditing Division, attended an executive meeting of your Subcommittee to discuss our audit responsibilities and activities at Central Intelligence Agency. At the conclusion of this meeting, it was suggested that recommendations be submitted for the future audit activities by the General Accounting Office at this Agency.

Following the enactment of the Central Intelligence Agency Act of 1949, the then Director of the Agency requested that notwithstanding the very broad and unusual powers granted to the Central Intelligence Agency by the Act an audit of expenditures at the site, as previously performed by the General Accounting Office, be continued. Accordingly, the General Accounting Office has continued to make audits of vouchered expenditures, under the same arrangements that were in effect with the predecessor Central Intelligence Group. However, in view of the provisions of section 10 of the Central Intelligence Agency Act, no exceptions have been taken to any expenditures. In those cases where questionable payments come to our attention, we refer the cases to the CIA Comptroller's Office for corrective action. In using the term questionable payments, we mean any expenditures which, except for section 10 (a) of the Act, would appear to be improper or illegal either under law or under the decisions of the Comptroller General. In our audit work, we have not made a substantive review of Agency policies, nor of its practices and procedures, and we have made no audit of expenditures of unvouchered funds.

Since the enactment of Central Intelligence legislation, we have generally broadened the type of audit we make of the activities of most Government agencies. Under our comprehensive audit approach, our basic purpose is to review and evaluate the manner in which the agency or activity under audit carries out its financial responsibilities. We construe financial responsibilities as including the expenditure of funds and the utilization of property and personnel in the furtherance only of authorized programs or activities in an effective, efficient, and economical manner. In carrying out this kind of an

audit, we examine the organization structure and review the established agency policies for conformity with legislative intent and applicability to agency activities. We also examine agency practices and procedures followed in carrying out the agency policies and make selective examinations of actual transactions as a means of appraising the application of agency practices and procedures. Reports on the results of our work are submitted to the Congress and to agency management officials.

We believe that a broader type of audit is appropriate for our work at Central Intelligence Agency and is more likely to be productive of evaluations of the administrative functions which would be helpful to the Congress and the Agency Director. We have accordingly concluded that it would be desirable to expand our audit work at Central Intelligence Agency more in line with our regular comprehensive audit approach. The expanded work would include an examination of vouchered expenditures, and, at the outset, the controls and procedures used in processing unvouchered expenditures. Also we would propose to make a limited examination of the support for unvouchered expenditures in accordance with such agreement as to access as can be worked out between CIA and our Office. As indicated by the preceding comments we have heretofore carried out only limited audit work at CIA, and we do not believe such limited work should be continued.

At this time we do not recommend any change in section 10 of the Central Intelligence Agency Act. We believe, however, that your Subcommittee could be very helpful in effecting a change in the scope of our audit work at CIA by advising the Agency of your interest in broadening the audit performed by the General Accounting Office. Any broadening of our audit activities should not include an evaluation of the intelligence activities of the Agency.

We are prepared to discuss this matter further at your convenience.

Sincerely yours,

JOSEPH CAMPBELL

Comptroller General
of the United States

MEMORANDUM FOR: Mr. Dulles

The attached proposed letter to Mr. Kilday has been prepared in accordance with your request. It has been cleared with [] who advises me that in a recent discussion with Bob Smart---at which time [] told him about my meeting with Samuelson---Smart re-affirmed that it was not the Subcommittee's intention that GAO concern itself with the audit of our unvouchered activities.

Recommend signature.

15/
L. K. White

— 24 July 1959 —
(DATE)

cc: DDCI
FORM NO. 101
1 AUG 54

REPLACES FORM 10-101
WHICH MAY BE USED.

(47)